

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Orangeville	County Barry
Fiscal Year End 03-31-07	Opinion Date 09-26-07	Date Audit Report Submitted to State 09-28-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

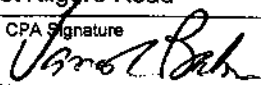
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe) SAS 112 report	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 	Printed Name James C. Baker	License Number 1101010743	

Township of Orangeville
Barry County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2007

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - governmental funds	6
Statement of revenues, expenditures, and changes in fund balances - governmental funds	7 - 8
Notes to financial statements	9 - 15
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	16 - 17
Streets Extra Voted Fund	18
Fire Equipment Fund	19

INDEPENDENT AUDITORS' REPORT

**Members of the Township Board
Township of Orangeville, Michigan**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Orangeville, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Orangeville, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly and in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Orangeville, Michigan, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 16 through 19, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Orangeville, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

September 26, 2007

BASIC FINANCIAL STATEMENTS

Township of Orangeville
STATEMENT OF NET ASSETS
 March 31, 2007

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 877,650
Receivables, net	<u>109,674</u>
Total current assets	<u>987,324</u>
Noncurrent assets:	
Receivables, noncurrent	618,147
Capital assets not being depreciated - land	45,367
Capital assets, net of accumulated depreciation	<u>1,452,351</u>
Total noncurrent assets	<u>2,115,865</u>
Total assets	<u>3,103,189</u>
LIABILITIES	
Current liabilities:	
Payables	29,265
Current maturities of long-term debt	<u>51,214</u>
Total current liabilities	80,479
Noncurrent liabilities - long-term debt	<u>997,840</u>
Total liabilities	<u>1,078,319</u>
NET ASSETS	
Invested in capital assets, net of related debt	913,664
Restricted for highways and streets	152,894
Restricted for debt service	178,915
Unrestricted	<u>779,397</u>
Total net assets	<u>\$ 2,024,870</u>

See notes to financial statements

Township of Orangeville
STATEMENT OF ACTIVITIES
Year ended March 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues Charges for services</u>	<u>Net (expenses) revenues and changes in net assets</u>
Governmental activities:			
Legislative	\$ 3,624	\$ -	\$ (3,624)
General government	183,916	45,688	(138,228)
Public safety	94,936	-	(94,936)
Public works	354,990	468,502	113,512
Health and welfare	6,000	-	(6,000)
Community and economic development	4,500	2,600	(1,900)
Culture and recreation	635	-	(635)
Interest on long-term debt	<u>28,693</u>	<u>14,029</u>	<u>(14,664)</u>
Total governmental activities	<u>\$ 677,294</u>	<u>\$ 530,819</u>	<u>(146,475)</u>
General revenues:			
Taxes			260,965
State grants			229,993
Investment income			<u>8,737</u>
Total general revenues			<u>499,695</u>
Change in net assets			353,220
Net assets - beginning			<u>1,671,650</u>
Net assets - ending			<u>\$ 2,024,870</u>

See notes to financial statements

Township of Orangeville
BALANCE SHEET - governmental funds
 March 31, 2007

	<u>General</u>	<u>Fawn Lake Extension</u>	<u>Streets Extra Voted</u>
ASSETS			
Cash	\$ 616,798	\$ -	\$ 136,112
Receivables	61,817	649,222	16,782
Due from other funds	<u>3,795</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 682,410</u>	<u>\$ 649,222</u>	<u>\$ 152,894</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 21,356	\$ -	\$ -
Due to other funds	-	3,795	-
Deferred revenue	<u>4,418</u>	<u>466,512</u>	<u>-</u>
Total liabilities	25,774	470,307	-
Fund balances - unreserved, undesignated	<u>656,636</u>	<u>178,915</u>	<u>152,894</u>
Total liabilities and fund balances	<u>\$ 682,410</u>	<u>\$ 649,222</u>	<u>\$ 152,894</u>

Total fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Certain assets are not available financial resources in the current period and, therefore, are reported as deferred revenue in the funds.

Accrued interest on long-term debt

Long-term liabilities, including contract and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<u>Fire Equipment</u>	<u>Total governmental funds</u>
\$ 124,740	\$ 877,650
-	727,821
-	3,795
<u>\$ 124,740</u>	<u>\$ 1,609,266</u>

\$ -	\$ 21,356
-	3,795
-	470,930
-	496,081
<u>124,740</u>	<u>1,113,185</u>
<u>\$ 124,740</u>	<u>\$ 1,609,266</u>

\$ 1,113,185

1,497,718

470,930

(7,909)

(1,049,054)

\$ 2,024,870

See notes to financial statements

Township of Orangeville**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	<u>General</u>	<u>Fawn Lake Extension</u>	<u>Streets Extra Voted</u>
REVENUES			
Taxes	129,506	\$ -	\$ 164,024
State grants	229,993	-	-
Charges for services	15,723	-	-
Interest and rentals	8,737	14,029	415
Other	<u>5,278</u>	<u>-</u>	<u>-</u>
Total revenues	<u>389,237</u>	<u>14,029</u>	<u>164,439</u>
EXPENDITURES			
Legislative	3,624	-	-
General government	148,227	-	-
Public safety	66,853	-	-
Public works	13,355	299,793	183,853
Health and welfare	6,000	-	-
Community and economic development	4,500	-	-
Culture and recreation	635	-	-
Capital outlay	8,453	-	-
Debt service:			
Principal	29,194	-	-
Interest	<u>20,166</u>	<u>8,423</u>	<u>-</u>
Total expenditures	<u>301,007</u>	<u>308,216</u>	<u>183,853</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>88,230</u>	<u>(294,187)</u>	<u>(19,414)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	-	465,000	-
Transfers in	-	8,102	-
Transfers out	<u>(41,102)</u>	<u>-</u>	<u>-</u>
Total other sources (uses)	<u>(41,102)</u>	<u>473,102</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	47,128	178,915	(19,414)
FUND BALANCES - BEGINNING	<u>609,508</u>	<u>-</u>	<u>172,308</u>
FUND BALANCES - ENDING	<u>\$ 656,636</u>	<u>\$ 178,915</u>	<u>\$ 152,894</u>

<u>Fire Equipment</u>	<u>Total governmental funds</u>
\$ -	\$ 293,530
-	229,993
-	15,723
-	23,181
-	5,278
<u>-</u>	<u>567,705</u>
-	3,624
-	148,227
-	66,853
-	497,001
-	6,000
-	4,500
-	635
-	8,453
-	29,194
-	28,589
<u>-</u>	<u>793,076</u>
<u>-</u>	<u>(225,371)</u>
-	465,000
33,000	41,102
-	(41,102)
<u>33,000</u>	<u>465,000</u>
33,000	239,629
<u>91,740</u>	<u>873,556</u>
<u>\$ 124,740</u>	<u>\$ 1,113,185</u>

See notes to financial statements

Township of Orangeville

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - *governmental funds* (Continued)**

Year ended March 31, 2007

	<i>Total governmental funds</i>
	<hr/>
Net change in fund balances - total governmental funds	\$ 239,629
Amounts reported for <i>governmental activities</i> in the statement of activities (Page 5) are different because:	
Capital assets:	
Capital outlay	167,701
Provision for depreciation	(81,009)
Long-term debt:	
Loan proceeds	(465,000)
Principal repayments	29,194
Change in other assets/liabilities:	
Increase in interest payable	(104)
Decrease in deferred revenue	<hr/> 462,809
Change in net assets of <i>governmental activities</i>	<hr/> \$ 353,220 <hr/>

See notes to financial statements

Township of Orangeville
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Orangeville, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Orangeville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Equipment Fund accounts for purchase of fire equipment; revenue is derived from transfers in from the General Fund.

The Streets Extra Voted Fund accounts for the financial resources used for the operational costs of the Township street functions. Revenues are primarily derived from property taxes.

The Fawn Lake Extension Fund accounts for the financial resources accumulated for the construction of a sewer line extension, and, for financial resources accumulated for the repayment of a related contract payable to Barry County.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Township of Orangeville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

iii) Capital assets (continued) -

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 15 years
Roads	5 - 30 years

iv) Deferred revenue - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. As of the end of the current fiscal year, deferred revenue consisted solely of special assessments not available to liquidate current liabilities.

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31, of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - CASH:

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2007, the Township had deposits with a carrying amount of \$877,650.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2007, \$781,592 of the Township's bank balances of \$883,943 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Orangeville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - RECEIVABLES:

Receivables as of year end for the Township's individual major funds are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Special assessments</u>	<u>Interest</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 14,548	\$ 10,177	\$ -	\$ 37,092	\$ 61,817
Fawn Lake Extension	-	465,000	7,825	176,397	649,222
Streets Extra Voted	16,782	-	-	-	16,782
Totals	<u>\$ 31,330</u>	<u>\$ 475,177</u>	<u>\$ 7,825</u>	<u>\$ 213,489</u>	<u>\$ 727,821</u>
Non-current portion	<u>\$ -</u>	<u>\$ 441,750</u>	<u>\$ -</u>	<u>\$ 176,397</u>	<u>\$ 618,147</u>

All receivables are considered fully collectible.

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Capital assets being depreciated:				
Buildings and improvements	\$ 1,172,919	\$ -	\$ -	\$ 1,172,919
Equipment and vehicles	618,093	5,031	-	623,124
Roads	221,138	162,670	-	383,808
Subtotal	<u>2,012,150</u>	<u>167,701</u>	<u>-</u>	<u>2,179,851</u>
Less accumulated depreciation for:				
Buildings and improvements	(228,698)	(28,470)	-	(257,168)
Equipment and vehicles	(411,650)	(31,880)	-	(443,530)
Roads	(6,143)	(20,659)	-	(26,802)
Subtotal	<u>(646,491)</u>	<u>(81,009)</u>	<u>-</u>	<u>(727,500)</u>
Total capital assets being depreciated, net	1,365,659	86,692	-	1,452,351
Land	<u>45,367</u>	<u>-</u>	<u>-</u>	<u>45,367</u>
Governmental activities capital assets, net	<u>\$ 1,411,026</u>	<u>\$ 86,692</u>	<u>\$ -</u>	<u>\$ 1,497,718</u>

Township of Orangeville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 35,689
Public safety	24,661
Public works	<u>20,659</u>
Total governmental activities	<u>\$ 81,009</u>

NOTE 5 - PAYABLES:

Payables as of year end for the Township's individual funds are as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Inter- govern- mental</u>	<u>Total</u>
General Fund	\$ <u>9,668</u>	\$ <u>9,604</u>	\$ <u>2,084</u>	<u>\$21,356</u>

NOTE 6 - LONG-TERM DEBT:

Long-term debt at March 31, 2007 consisted of the following issues:

		<u>Due in one year</u>
\$637,000, 3.25% note payable, bank; due in semi-annual installments of \$24,680, including interest, through June 2020, plus a balloon payment of \$73,670 in June 2020. The note was issued to finance construction of a new township hall.	\$ 584,054	\$18,146
\$465,000 contract payable, Barry County, due in annual installments of \$20,000 to \$25,000 through April 2026, plus interest ranging between 4.125% to 4.400%. The contract was issued to finance a sewer line extension.	<u>465,000</u>	<u>20,000</u>
Total	<u>\$1,049,054</u>	<u>\$38,146</u>

Changes in long-term debt were as follows:

	<u>Beginning balance</u>	<u>Debt issued</u>	<u>Debt repayments</u>	<u>Ending balance</u>
\$637,000 note payable	\$613,248	\$ -	\$ (29,194)	\$ 584,054
\$465,000 contract payable	-	465,000	-	465,000
	<u>\$613,248</u>	<u>\$465,000</u>	<u>\$ (29,194)</u>	<u>\$1,049,054</u>

Township of Orangeville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM DEBT (Continued):

All debt is secured by the full faith and credit of the Township. Debt requirements to maturity are as follows:

<i>Year ended March 31,</i>	<i>Governmental activities</i>	
	<i>Principal</i>	<i>Interest</i>
2008	\$ 51,214	\$ 37,590
2009	51,648	36,330
2010	57,685	34,469
2011	58,755	32,367
2012	59,861	29,931
2013 - 2017	317,208	117,780
2018 - 2022	352,683	56,136
2023 - 2026	<u>100,000</u>	<u>10,888</u>
	<u>\$ 1,049,054</u>	<u>\$ 355,491</u>

NOTE 7 - INTERFUND BALANCES AND TRANSFERS:

The interfund balance of \$3,795 due to the General Fund from the Fawn Lake Extension Fund represents temporary borrowings to pay for costs of Fawn Lake Extension Fund.

The General Fund transferred \$8,101 to Fawn Lake Extension Fund to pay for current year interest expenditure. The General Fund transferred \$33,000 to the Fire Equipment Fund in order to set aside monies for a new fire truck.

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. The plan covers all full-time employees (over 20 hours per week) and Township trustees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate from the date of employment. The Township contributes 9% of each qualified employee's base salary to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of \$3,564 for the year ended March 31, 2007. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

Township of Orangeville
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - JOINT VENTURES:

a) Ambulance service:

The Township participates in Wayland Area Emergency Medical Services, Inc. (WAEMS), to provide ambulance service to its residents. Each participating local unit of government appoints two members to the WAEMS board. Membership does not convey an equity interest in the organization. Total expenditures under this arrangement for the year ended March 31, 2007, was \$6,000.

b) Gun Lake Area Sewer Authority:

The Township and three other local units of government participate in the Gun Lake Sewer Authority (the Authority). The supervisor of each local unit serves on the board of the Authority. The Authority was created to maintain, administer, and manage a sewage disposal system for the benefit of the member municipalities. Membership does not convey an equity interest in the Authority. During the year ended March 31, 2007, the Township was not required to make a contribution to the Authority.

NOTE 11 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. Significant budget variations during the year ended March 31, 2007, were as follows:

<u>Fund</u>	<u>Function</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance</u>
General	Transfers out:			
	Fawn Lake Extension	\$ -	\$ 8,101	\$ (8,101)
	Fire Equipment	-	33,000	(33,000)

REQUIRED SUPPLEMENTARY INFORMATION

Township of Orangeville
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 117,677	\$ 117,677	\$ 129,506	\$ 11,829
State grants	229,803	229,803	229,993	190
Charges for services	-	-	15,723	15,723
Interest and rentals	9,000	9,000	8,737	(263)
Other - special assessments	9,207	9,207	5,278	(3,929)
Total revenues	<u>365,687</u>	<u>365,687</u>	<u>389,237</u>	<u>23,550</u>
EXPENDITURES				
Legislative	<u>3,120</u>	<u>3,120</u>	<u>3,624</u>	<u>(504)</u>
General government:				
Supervisor	11,955	11,955	11,361	594
Election	7,235	7,235	5,620	1,615
Assessor	23,172	23,172	23,856	(684)
Clerk	17,332	17,332	16,786	546
Board of review	2,100	2,100	933	1,167
Treasurer	16,400	16,400	16,114	286
Hall and grounds	36,165	36,165	22,796	13,369
Cemetery	12,600	12,600	14,787	(2,187)
Other	37,965	37,965	35,974	1,991
Total general government	<u>164,924</u>	<u>164,924</u>	<u>148,227</u>	<u>16,697</u>
Public safety - fire	<u>91,328</u>	<u>91,328</u>	<u>66,853</u>	<u>24,475</u>
Public works:				
Weed control	2,750	2,750	2,593	157
Street lights	2,200	2,200	2,613	(413)
Transfer station	9,900	9,900	8,149	1,751
Total public works	<u>14,850</u>	<u>14,850</u>	<u>13,355</u>	<u>1,495</u>
Health and welfare - ambulance	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>-</u>

Township of Orangeville
BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (continued)				
Community and economic development	\$ 4,500	\$ 4,500	\$ 4,500	\$ -
Culture and recreation - parks and recreation	815	815	635	180
Capital outlay	15,050	15,050	8,453	6,597
Debt service - principal	29,573	29,573	29,194	379
Debt service - interest	20,427	20,427	20,166	261
Total expenditures	350,587	350,587	301,007	48,940
EXCESS OF REVENUES OVER EXPENDITURES	15,100	15,100	88,230	73,130
OTHER FINANCING SOURCES				
Transfer out - Fawn Lake Extension Fund	-	-	(8,102)	(8,102)
Transfer out - Fire Equipment Fund	-	-	(33,000)	(33,000)
Total other uses	-	-	(41,102)	(41,102)
NET CHANGE IN FUND BALANCES	15,100	15,100	47,128	40,130
FUND BALANCES - BEGINNING	609,508	609,508	609,508	-
FUND BALANCES - ENDING	\$ 624,608	\$ 624,608	\$ 656,636	\$ 40,130

Township of Orangeville
BUDGETARY COMPARISON SCHEDULE - Streets Extra Voted Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 152,932	\$ 152,932	\$ 164,024	\$ 11,092
Interest	<u>-</u>	<u>-</u>	<u>415</u>	<u>415</u>
Total revenues	152,932	152,932	164,439	11,507
EXPENDITURES				
Public works - highways and streets	<u>183,798</u>	<u>183,798</u>	<u>183,853</u>	<u>(55)</u>
NET CHANGE IN FUND BALANCES	(30,866)	(30,866)	(19,414)	11,452
FUND BALANCES - BEGINNING	<u>172,307</u>	<u>172,307</u>	<u>172,308</u>	<u>(1)</u>
FUND BALANCES - ENDING	<u>\$ 141,441</u>	<u>\$ 141,441</u>	<u>\$ 152,894</u>	<u>\$ 11,451</u>

Township of Orangeville
BUDGETARY COMPARISON SCHEDULE - Fire Equipment Fund
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
OTHER FINANCING SOURCES				
Transfer in - General Fund	\$ -	\$ -	\$ 33,000	\$ 33,000
FUND BALANCES - BEGINNING	<u>91,740</u>	<u>91,740</u>	<u>91,740</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 91,740</u>	<u>\$ 91,740</u>	<u>\$ 124,740</u>	<u>\$ -</u>

**Members of the Township Board
Township of Orangeville, Michigan**

In planning and performing our audit of the financial statements of the Township of Orangeville as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Orangeville's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- Information regarding receipts, disbursements, interfund transfers, and resulting cash balances is not shared between the Clerk and Treasurer in a manner that assures that general ledger recoding errors are detected and corrected in a timely manner.

- The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, record changes in capital assets, and to present required financial statement disclosures. As in prior years, the Township has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This communication is intended solely for the information and use of management, the Board of Trustees of the Township of Orangeville, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.

September 26, 2007